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IRT PROPERTY CO  
Form 10-Q  
May 15, 2001

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2001  
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OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-7859  
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IRT PROPERTY COMPANY  
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(Exact name of registrant as specified in its charter)

Georgia 58-1366611  
-----  
(State or other jurisdiction (I.R.S. Employer  
of incorporation or organization) Identification No.)

200 Galleria Parkway, Suite 1400 30339  
Atlanta, Georgia  
-----  
(Address of principal executive offices) (Zip Code)

(770) 955-4406  
-----  
(Registrant's telephone number, including area code)

N/A  
-----  
(Former name, former address and former fiscal year,  
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class Outstanding at May 14, 2001  
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Common Stock, \$1 Par Value

30,329,570 Shares

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CERTAIN INFORMATION CONTAINED IN THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS, WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. READERS OF THIS REPORT SHOULD BE AWARE THAT THERE ARE VARIOUS FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM ANY FORWARD-LOOKING STATEMENTS MADE HEREIN. THIS INFORMATION IS FURTHER QUALIFIED BY THE SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS AND THE INFORMATION IN THE SECTION ENTITLED "RISK FACTORS" CONTAINED IN THE IRT PROPERTY COMPANY ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2000, WHICH ARE INCORPORATED HEREIN BY REFERENCE.

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## Item 1. Financial Statements

IRT PROPERTY COMPANY AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 (Dollars in thousands, except share and per share amounts)

	March 31, 2001
	----- (Unaudited)
<b>ASSETS</b>	
Real estate investments:	
Rental properties	\$ 633,221
Properties under development	20,318
	-----
	653,539
Accumulated depreciation	(99,946)
	-----
Net rental properties	553,593
Equity investment in and advances to unconsolidated affiliates	--
Net investment in direct financing leases	4,195
Mortgage loans, net	4,425
	-----
Net real estate investments	562,213
Cash and cash equivalents	50,488
Prepaid expenses and other assets	11,237
	-----
Total assets	\$ 623,938 =====
 <b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	
Liabilities:	
Mortgage notes payable, net	\$ 115,908

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7.3% convertible subordinated debentures, net	23,275
Senior notes, net	174,728
Indebtedness to banks	57,000
Accrued interest	2,759
Accrued expenses and other liabilities	8,703
	-----
Total liabilities	382,373
Commitments and contingencies (Note 8)	
Minority interest payable	7,837
Shareholders' equity:	
Common stock, \$1 par value, 150,000,000 shares authorized; 33,234,206 shares issued in 2001 and 2000, respectively	33,234
Preferred stock, \$1 par value, authorized 10,000,000 shares; none issued	--
Additional paid-in capital	272,055
Deferred compensation/stock loans	(1,820)
Treasury stock, at cost, 2,927,636 and 2,889,276 shares in 2001 and 2000, respectively	(24,221)
Cumulative distributions in excess of net earnings	(45,520)
	-----
Total shareholders' equity	233,728
	-----
Total liabilities and shareholders' equity	\$ 623,938
	=====

The accompanying notes are an integral part of these consolidated balance sheets.

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IRT PROPERTY COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
For the Three Months Ended March 31, 2001 and 2000  
(Unaudited)  
(In thousands, except per share amounts)

	Three Mo Mar
	----- 2001 -----
REVENUES:	
Income from rental properties	\$ 21,254
Interest income	132
Interest on direct financing leases	190
Gain on sale of outparcel	293
	-----
Total revenues	21,869

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EXPENSES:		
	Operating expenses of rental properties	5,326
	Interest expense	5,649
	Depreciation	3,723
	Amortization of debt costs	148
	General and administrative	970
		-----
	Total expenses	15,816
	Equity in loss of unconsolidated affiliates	(4)
		-----
	Earnings before minority interest and gain on sales of properties	6,049
	Minority interest of unitholders in operating partnership	(61)
	Gain on sales of properties	--
		-----
	NET EARNINGS	\$ 5,988
		=====
PER SHARE:		
	Net earnings -- basic	\$ 0.20
		=====
	Net earnings -- diluted	\$ 0.19
		=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:		
	Basic	30,213
		=====
	Diluted	31,064
		=====

The accompanying notes are an integral part of these consolidated statements.

IRT PROPERTY COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Three Months Ended March 31, 2001 and 2000  
(Unaudited)  
(In thousands)

Three Mo  
Mar

-----  
2001  
-----

Cash flows from operating activities:

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Net earnings	\$ 5,988
Adjustments to reconcile earnings to net cash from operating activities:	
Depreciation	3,723
Gain on sale of operating properties	--
Gain on sale of outparcel	(293)
Minority interest of unitholders in partnership	(131)
Straight line rent adjustment	(111)
Amortization of deferred compensation	30
Amortization of debt costs and discounts	159
Amortization of capitalized leasing income	51
Changes in assets and liabilities:	
Decrease in accrued interest on debentures and senior notes	(853)
Increase in interest receivable, prepaid expenses and other assets	829
Decrease in accrued expenses and other liabilities	(680)
	-----
Net cash flows from operating activities	8,712
	-----
Cash flows (used in) from investing activities:	
Proceeds from sales of operating properties, net	--
Proceeds from sale of outparcel, net	348
Investment in unconsolidated affiliates	--
Purchase of unconsolidated affiliate, net of assets acquired	177
Distribution from dissolution of unconsolidated affiliate	21
Additions to operating properties, net	(925)
Additions to development properties, net	(1,610)
Funding of mortgage loans	(114)
Collections of mortgage loans, net	2
	-----
Net cash flows (used in) from investing activities	(2,101)
	-----
Cash flows from (used in) financing activities:	
Cash dividends, net	(7,120)
Purchase of treasury stock	(405)
Exercise of stock options	69
Principal amortization of mortgage notes payable	(601)
Repayment of mortgage notes payable	--
Payment of deferred financing costs	(897)
Proceeds from mortgage notes payable	--
Proceeds from note issuance	50,000
Increase (decrease) in bank indebtedness	2,000
	-----
Net cash flows from (used in) financing activities	43,046
Net increase in cash and cash equivalents	49,657
Cash and cash equivalents at beginning of period	831
	-----
Cash and cash equivalents at end of period	\$ 50,488
	=====
Supplemental disclosures of cash flow information:	
Total cash paid during period for interest	\$ 6,627
	=====

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The accompanying notes are an integral part of these consolidated statements.

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IRT PROPERTY COMPANY AND SUBSIDIARIES  
 Notes to Consolidated Financial Statements  
 March 31, 2001 and 2000  
 (Dollars in thousands, except per share amounts)

1. Unaudited Financial Statements

These consolidated financial statements for interim periods are unaudited and should be read in conjunction with the Company's Report on Form 10-K for the year ended December 31, 2000. The accompanying consolidated financial statements include the accounts of IRT Property Company and its wholly-owned subsidiaries, IRT Management Company ("IRTMC"), VW Mall, Inc., IRT Alabama, Inc. ("IRTAL") and IRT Capital Corporation II ("IRTCCII"), and its majority-owned subsidiary, IRT Partners L.P. ("LP") (collectively, the "Company"). Intercompany transactions and balances have been eliminated in the consolidation. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to a fair presentation of the financial statements as of March 31, 2001 and 2000 have been recorded. The results of operations for the interim period are not necessarily indicative of the results that may be expected for future interim periods or for the full year.

As of December 31, 2000, the Company's investment in IRT Capital Corporation ("IRTCC") and IRTCCII was accounted for under the equity method of accounting. In January 2001, IRTCC was dissolved and the Company's investment in IRTCC was eliminated. In March 2001, the Company purchased the remaining voting and non-voting common stock of IRTCCII, making IRTCCII a wholly-owned subsidiary. See Note 6.

2. Investment in and Advances to Unconsolidated Affiliates

As of March 31, 2001, LP, IRTCCII, IRTAL and IRTMC guaranteed the Company's indebtedness under the Company's existing unsecured revolving term loan and its other senior debt. The guarantees are joint and several and full and unconditional.

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	Guarantors	
IRT Property Company	Combined Subsidiaries(1)	IRT Partners, LP

AS OF MARCH 31, 2001

ASSETS

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Net rental properties	\$ 392,716	\$ 24,669	\$ 136,208
Investment in affiliates	129,787	--	--
Other assets	79,589	24,666	9,709
	-----	-----	-----
Total assets	602,092	49,335	145,917
	=====	=====	=====
LIABILITIES			
Mortgage notes payable	81,314	4,153	30,441
Senior Notes, net	174,728	--	--
Indebtedness to banks	57,000	--	--
Other liabilities	55,322	21,008	9,530
	-----	-----	-----
Total liabilities	368,364	25,161	39,971
	-----	-----	-----
SHAREHOLDERS' EQUITY			
Total shareholders' equity	233,728	24,174	105,946
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 602,092	\$ 49,335	\$ 145,917
	=====	=====	=====
FOR THE THREE MONTHS ENDED MARCH 31, 2001			
REVENUES			
Income from rental properties	\$ 15,236	\$ 278	\$ 5,740
Interest Income	132	--	--
Interest on direct financing leases	190	--	--
Other income	29	2,569	293
	-----	-----	-----
Total revenues	15,586	2,847	6,033
	-----	-----	-----
EXPENSES			
Operating expenses of rental properties	3,709	66	1,551
Interest expense	4,959	68	622
Depreciation	2,735	28	960
Amortization of debt costs	147	1	--
General and administrative	690	39	241
	-----	-----	-----
Total expenses	12,240	202	3,374
	-----	-----	-----
Equity in earnings (losses) of affiliates	2,641	(3)	--
	-----	-----	-----
Earnings before minority interest, and gain on sales of properties	5,988	2,642	2,659
Minority interest in operating partnership	--	--	--
Gain on sales of properties	--	--	--
	-----	-----	-----
Net Earnings	\$ 5,988	\$ 2,642	\$ 2,659
	=====	=====	=====

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Net cash flows provided by (used in) operating activities	\$ 5,872	\$ 1,975	\$ 3,653
	=====	=====	=====
Net cash flows provided by (used in) investing activities	\$ 7,159	\$ (954)	\$ (7,394)
	=====	=====	=====
Net cash flows provided by (used in) financing activities	\$ 43,194	\$ (972)	\$ (2,896)
	=====	=====	=====

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	Guarantors				
	IRT Property Company	Combined Subsidiaries (1)	IRT Partners, LP	IRT Capital Corporation II	IRT Corp
	-----	-----	-----	-----	-----
AS OF DECEMBER 31, 2000					
ASSETS					
Net rental properties	\$394,144	\$ 5,575	\$137,114	\$17,989	\$
Investment in affiliates	127,364	--	--	--	
Other assets	29,444	21,720	8,700	397	
	-----	-----	-----	-----	-----
Total assets	550,952	27,295	145,814	18,386	
	=====	=====	=====	=====	=====
LIABILITIES					
Mortgage notes payable	81,741	4,173	30,595	--	
Senior Notes, net	124,714	--	--	--	
Indebtedness to banks	55,000	--	--	--	
Other liabilities	54,344	1,319	8,320	18,396	
	-----	-----	-----	-----	-----
Total liabilities	315,799	5,492	38,915	18,396	
	-----	-----	-----	-----	-----
SHAREHOLDERS' EQUITY					
Total shareholders' equity	235,153	21,803	106,899	(10)	
	-----	-----	-----	-----	-----
Total liabilities and shareholders' equity	\$550,952	\$27,295	\$145,814	\$18,386	\$
	=====	=====	=====	=====	=====
FOR THE THREE MONTHS ENDED MARCH 31, 2000					
REVENUES					
Income from rental properties	\$ 15,808	\$ 171	\$ 5,085	\$ 36	\$
Interest Income	91	--	125	--	
Interest on direct financing leases	188	--	--	--	
Other income	21	2,046	--	--	



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	-----	-----	-----	-----
Total revenues	16,109	2,217	5,210	36
	-----	-----	-----	-----
EXPENSES				
Operating expenses of rental properties	3,484	34	1,306	30
Interest expense	4,717	69	615	--
Depreciation	2,680	19	873	7
Amortization of debt costs	132	--	--	--
General and administrative	588	2	189	6
	-----	-----	-----	-----
Total expenses	11,601	124	2,983	43
	-----	-----	-----	-----
Equity in earnings (losses) of affiliates	2,083	--	--	--
	-----	-----	-----	-----
Earnings before minority interest and gain on sales of properties	6,590	2,093	2,227	(7)
Minority interest in operating partnership	--	--	--	--
Gain on sales of properties	2,738	--	--	--
	-----	-----	-----	-----
Net Earnings	\$ 9,328	\$ 2,093	\$ 2,227	\$ (7)
	=====	=====	=====	=====
Net cash flows provided by (used in) operating activities	\$ 6,809	\$ 1,818	\$ 3,092	\$ (104)
	=====	=====	=====	=====
Net cash flows provided by (used in) investing activities	\$ 10,432	\$ --	\$ (938)	\$ (577)
	=====	=====	=====	=====
Net cash flows provided by (used in) financing activities	\$ (17,205)	\$ (1,818)	\$ (2,167)	\$ 671
	=====	=====	=====	=====

NOTES:

- (1) For the quarter ended March 31, 2001, includes IRTMC, IRTAL, and IRTCCII. For the year ended December 31, 2000 and the quarter ended March 31, 2000, includes IRTMC and IRTAL.

3. Earnings Per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding during the period consistent with the guidelines of Statement of Financial Accounting Standards No. 128, "Earnings Per Share." The effects of the conversion of the operating partnership units held by the minority interest are dilutive and have been included in the calculation of dilutive earnings per share for all periods presented. The effects of the conversion of the 7.3% debentures have been excluded from the calculation of dilutive earnings per share for the three months ended March 31, 2001 as they

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were anti-dilutive for that period. For the three months ended March 31, 2000, the effects of the conversion of such debentures have been included in the calculation of dilutive earnings per share as they are dilutive. The effects of certain stock options and non-vested restricted stock, using the treasury stock method, have been included in the calculation of dilutive earnings per share, as they are dilutive.

	Income	Shares
	-----	-----
(In thousands except per share data)		
For the three months ended March 31, 2001		
Basic net earnings available to shareholders	\$ 5,988	30,213
Options outstanding	--	28
Restricted stock	--	7
Minority interest of unitholders in operating partnership	61	816
	-----	-----
Diluted net earnings available to shareholders	\$ 6,049	31,064
	=====	=====
For the three months ended March 31, 2000		
Basic net earnings available to shareholders	\$ 9,328	32,298
Options outstanding	--	5
Minority interest of unitholders in operating partnership	159	816
Conversion of the 7.3% debentures	450	2,069
	-----	-----
Diluted net earnings available to shareholders	\$ 9,937	35,188
	=====	=====

4. 7.3% Convertible Subordinated Debentures

Based upon the \$11.25 conversion price, 2,068,889 authorized but unissued common shares have been reserved for possible issuance if the remaining \$23,275 of debentures outstanding on March 31, 2001 are converted.

5. Senior Notes

On March 23, 2001, the Company established a Medium Term Note Program (the "MTN Program"), pursuant to the Company's shelf registration statement filed in January 2001, pursuant to which the Company may from time to time issue and sell up to \$100,000 of medium term notes (the "Medium Term Notes"). The Medium Term Notes must have a maturity of nine months or more from the date of issuance and be unconditionally guaranteed as to the payment of principal, premium, if any, and interest, if any, by each of LP, IRTMC, IRTAL and IRTCCII.

On March 29, 2001, pursuant to the MTN Program, the Company issued \$50,000 of 7.77% senior notes due April 1, 2006. Interest on these senior notes is payable semi-annually on April 1 and October 1. Costs associated with the issuance of these senior notes totaled approximately \$480 and are being amortized over the life of the notes. Proceeds of these notes were used to repay the \$50,000 of 7.45% senior notes due April 1, 2001. See Note 9.

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### 6. Investment in Joint Venture

IRTCII, a taxable subsidiary, was formed under the laws of Georgia in 1999. IRTCCII has the ability to develop properties, buy and sell properties, provide equity to developers and perform third party management, leasing and brokerage. As of December 31, 2000, the Company accounted for IRTCCII under the equity method of accounting, as the Company held 96% of the non-voting common stock and

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1% of the voting common stock. The remaining voting common stock was held by an officer and a director of the Company. In March 2001 the Company purchased the remaining non-voting and voting common stock from such officer and director for approximately \$2, which was the initial investment amount of such officer and director. As a result, as of March 31, 2001, IRTCCII is a wholly-owned taxable subsidiary of the Company.

### 7. Treasury Stock

On January 16, 2001, the Company completed the \$25,000 stock repurchase program authorized by the Board of Directors in November 1999. The Company repurchased a total of 3,028,276 shares at an average price of \$8.26 per share.

### 8. Commitments and Contingencies

Certain of the Company's properties have environmental concerns that have been or are being addressed. The Company maintains limited insurance coverage for this type of environmental risk. Although no assurance can be given that Company properties will not be affected adversely in the future by environmental problems, the Company presently believes that there are no environmental matters that are reasonable likely to have a material adverse effect on the Company's financial position.

### 9. Subsequent Events

On April 2, 2001, the Company repaid the \$50,000 of 7.45% senior notes from the issuance proceeds of the 7.77% senior notes.

On April 17, 2001, the Company acquired Unigold Shopping Center, a 102,985 square foot center in Orlando, Florida for \$8,000.

On April 18, 2001, the Company sold Eden Centre, a 56,355 square foot shopping center, located in Eden, North Carolina for approximately \$3,829 in cash, and recognized a gain on the sale of approximately \$748.

On April 19, 2001, the Company obtained non-recourse, secured loans totaling \$20,700, on three shopping centers at a weighted average fixed interest rate of 7.17%. The loans have a ten year term and a thirty year amortization.

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Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.  
(Dollars in thousands)

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### Material Changes in Financial Condition.

During the three months ended March 31, 2001, the Company:

- obtained cash proceeds of \$50,000 from the issuance of the 7.77% senior unsecured notes,
- obtained cash proceeds of approximately \$348 upon the sale of an outparcel and recognized a gain of approximately \$293 for financial reporting purposes, and
- obtained cash, net of assets acquired, of \$177 in the purchase of IRTCCII stock.

During the three months ended March 31, 2001, the Company utilized funds of:

- approximately \$7,120 to pay dividends to the holders of the Company's common stock,
- approximately \$405 to repurchase outstanding shares of the Company's common stock,
- approximately \$1,610 for development of land and properties,
- approximately \$925 for capital expenditures relating to operating properties, and
- approximately \$897 for deferred financing costs in connection with the issuance of the 7.77% Senior Notes and the \$20,700 secured loans.

During the three months ended March 31, 2000 the Company:

- obtained cash proceeds of approximately \$11,660 upon the sales of two properties and recognized a gain of approximately \$2,738 for financial reporting purposes.

During the three months ended March 31, 2000, the Company utilized funds of:

- approximately \$7,627 to pay dividends to the holders of the Company's common stock,
- approximately \$5,800 to repurchase outstanding shares of the Company's common stock,
- approximately \$3,520 to repay a 7.75% mortgage at its scheduled maturity,
- approximately \$1,888 to fund a loan for a co-development project,
- approximately \$1,267 for capital expenditures and tenant improvements, and
- approximately \$660 for advances to IRTCCII for further development of land and properties acquired in 1999.

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### Material Changes in Results of Operations.

During the three months ended March 31, 2001, rental income from the Company's portfolio of shopping center investments:

- decreased approximately \$27 for the core portfolio,
- increased approximately \$457 due to the acquisition of a shopping center in 2000, and
- decreased approximately \$240 due to sales of two investments in 2000.

During the three months ended March 31, 2000, rental income from the Company's portfolio of shopping center investments:

- increased approximately \$376 for the core portfolio,
- increased approximately \$468 due to the acquisition of two shopping centers in 1999, and
- decreased approximately \$592 due to sales of two investments in 2000 and four in 1999.

Percentage rentals received from shopping center investments, excluding percentage rentals received from the two Wal-Mart investments classified as direct financing leases, totaled approximately \$593 and \$608 during the three months ended March 31, 2001 and 2000, respectively. Percentage rental income is recorded upon collection based on the tenants' lease year end.

Interest income during the three months ended March 31, 2001 decreased approximately \$84 due primarily to the interest charged to previously unconsolidated affiliates offset by interest accrued on development loans.

During the three months ended March 31, 2001, operating expenses related to the Company's portfolio of real estate investments:

- increased approximately \$425 for the core portfolio,
- increased approximately \$158 due to the acquisition of a shopping center in 2000, and
- decreased approximately \$81 due to the sales of two properties in 2000.

During the three months ended March 31, 2000, operating expenses related to the Company's portfolio of real estate investments:

- increased approximately \$303 for the core portfolio,
- increased approximately \$125 due to the acquisition of two shopping centers in 1999, and
- decreased approximately \$131 due to the sales of two properties in 2000 and four in 1999.

During the three months ended March 31, 2001, interest expense on mortgages decreased approximately \$67 primarily due to scheduled amortization.

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Interest expense on bank indebtedness increased approximately \$315 for the three months ended March 31, 2001. The Company had average borrowings of approximately \$54,253 and \$19,569 at effective interest rates of 7.65% and 7.3%, under its bank credit facility during the three months ended March 31, 2001 and 2000, respectively. The Company incurred commitment fees of approximately \$50 and \$51 in 2001 and 2000, respectively, which are included in this interest expense.

The net increase of \$151 in depreciation expense in 2001 was due to the acquisition of a real estate investment in the fourth quarter of 2000, net of the effect of the disposition of two properties in the first quarter of 2000.

The net increase in general and administrative expense of approximately \$191 for the three months ended March 31, 2001 was primarily due to an increase in non-capitalizable development activities.

Funds from Operations. The Company defines funds from operations, consistent with the National Association of Real Estate Investment Trusts ("NAREIT") definition of such term, as net earnings on real estate less gains (losses) on sales of properties and extraordinary items plus depreciation and amortization of capitalized leasing costs. Interest and amortization of issuance costs related to convertible subordinated debentures and minority interest expenses ("OP Units") are added back to funds from operations when assumed conversion of the debentures and OP Units is dilutive. Conversion of the debentures and OP Units is dilutive and therefore assumed for the three months ended March 31, 2001 and 2000. Management believes funds from operations should be considered along with, but not as an alternative to, net income as defined by generally accepted accounting principles as a measure of the Company's operating performance. Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs.

	Three M Ma
	----- 2001 -----
NET EARNINGS	\$ 5,988
Gain on sales of properties	--
Depreciation *	3,655
Amortization of capitalized leasing fees *	287
Amortization of capitalized leasing income	51
	-----
FUNDS FROM OPERATIONS	9,981
Interest on convertible debentures	425
Amortization of convertible debenture costs	25
Amounts attributable to minority interests	133
	-----
FULLY DILUTED FUNDS FROM OPERATIONS	\$ 10,564 =====

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FULLY DILUTED FUNDS FROM OPERATIONS PER SHARE	\$ 0.32 =====
APPLICABLE WEIGHTED AVERAGE SHARES	33,133 =====

\* Net of amounts attributable to minority interests

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Additional Information: The following data is presented with respect to amounts incurred for improvements to the Company's real estate investments, for the straight line rent adjustment, for leasing fees paid and for principal amortization of mortgage notes payable during the three months ended March 31, 2001 and 2000 (in thousands):

	Three M Ma ----- 2001 -----
Straight line rent adjustment	\$ 111 =====
Revenue-generating capital expenditures	
Tenant Improvements -- Anchors	\$ 141
Tenant Improvements -- Non anchors	395 -----
Total revenue-generating capital expenditures **	\$ 536 =====
Non revenue-generating capital expenditures	\$ 388 =====
Lease fee payments	\$ 476 =====
Scheduled principal amortization	\$ 601 =====

\*\* Includes tenant improvements and capital expenditures to prepare spaces for leasing. Excludes expansions.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

None.

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(b) Reports on Form 8-K.

The Company filed a Report on Form 8-K dated March 23, 2001 relating to the establishment of the Medium Term Note Program (the "MTN Program"), the execution of guarantees by IRT Alabama, Inc., IRT Management Company, IRT Partners L.P. and IRT Capital Corporation II for the Company's MTN Program, and the Agency Agreement with its Agents in connection with the MTN Program. No other reports on Form 8-K were filed by the Company during the quarter ended March 31, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed by the undersigned, thereunto duly authorized.

IRT PROPERTY COMPANY

Date: May 14, 2001  
-----

/s/ Thomas H. McAuley  
-----

Thomas H. McAuley  
President & Chief Executive Officer

Date: May 14, 2001  
-----

/s/ James G. Levy  
-----

James G. Levy  
Executive Vice President &  
Chief Financial Officer